



Michael F. Odar, CFA®
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The Plan for 2026

This year marks the second year of our long-term strategic plan to Serve Clients More. Serve Clients More means delivering *more* personalized service, *more* often, in *more* innovative ways, with *more* expertise and in *more* places. The goal of our plan for 2026 is focused on taking another step forward towards this goal and built with input from every teammate in the company.

As many of you know, our annual strategic planning process starts with our strategic planning questionnaire where every teammate has the opportunity to provide their thoughts on how we can serve our clients better. Candor is essential and expected as I am the only one that reviews their responses. Themes are identified from their responses, which are then brought to division leaders to build plans around with their respective teams. Those divisional plans are then brought to our Advance.

Our Advance is an annual three-day meeting in October involving our entire Executive Leadership Team. The purpose of the Advance is to review and discuss divisional strategic plans for the upcoming year. We call it an Advance instead of a retreat because our plan is to move forward not backwards. Divisional plans are scrutinized and challenged by each leader's peers in an effort to create a cohesive organizational plan. Candor is again essential. Once an organizational plan is constructed, we review it with our board of directors and build our budget around it.

Our organizational plan for 2026 is focused on four key initiatives - Workplace Culture, Client Experience, Cultivation and Purposeful Growth.

Workplace Culture continues to be one of the most important reasons teammates join Greenleaf Trust and want to spend their careers here serving clients. We strive to hire talented diverse people and provide them with a work environment that challenges, supports, equips and multiplies their efforts through collaboration. The result is an engaged team that genuinely cares about clients and is inspired to do great work for them. In 2026, our focus will be on extending our talent continuum, training, inclusivity, succession planning and accountability.

We view each client's experience with us through the lens of continuous

The Plan for 2026, continued

“In 2026, our efforts here will focus on coordinating AI integration into operational systems, growing our fiduciary capabilities, ensuring information security, and leveraging capabilities of existing systems.”

improvement. How can we better serve them specifically? We ask every client this question and then listen. Through their individual responses, themes can often develop. The optimization of their online client portal was a theme we recently picked up on and are already working on improvements to make the interaction more intuitive while increasing the portal's functionality. More broadly our Client Experience efforts will continue to involve investment in technology, innovative portfolio management strategies and both internal and external thought leadership to continuously improve our clients' experience.

To cultivate means to develop or improve something through care and effort. Our Cultivation initiative is a reference to the symbol of our long-term strategy, a tree. The roots represent our core values, the tree our clients, with the branches representing our team that supports our clients and the leaves the initiatives to Serve Clients More. In 2026, our efforts here will focus on coordinating AI integration into operational systems, growing our fiduciary capabilities, ensuring information security and leveraging capabilities of existing systems.

In order to serve from generation to generation, it's important that we continue to grow purposely. There are risks to growing too quickly and too slowly. Purposeful Growth involves growing deeper and broader in our capabilities at a designed fiscally responsible pace. In 2026, expanding our digital media footprint, launching new ways to serve retirement plan sponsors and growing our new Florida market in Naples will help us Serve Clients More. Longer term, our growth will continue to come from satisfied clients, deliberate geographic expansion and potential adjacent business acquisitions.

I appreciate the opportunity to share our 2026 plan with you. It was built for you.

I hope you had the happiest of holidays and cheers to 2026! ☐

Economic Commentary

2025 Year in Review and 2026 Outlook: Resilience Rewarded

Happy New Year! As we welcome 2026 and America's semiquincentennial, the mood is undeniably brighter following a third straight year where both the economy and the stock market defied skeptics. The recession anxieties that dominated headlines just two years ago have largely evaporated, replaced by a growing consensus that the elusive "soft landing" may have been successfully navigated. The outlook for corporate earnings remains robust, driven by productivity gains and technology adoption. In what was at times a volatile year, disciplined investors were rewarded.

These conditions paint a picture of a durable mid-cycle expansion. If this stability holds, equity markets could well extend their positive run, though it would be prudent to anticipate a more moderate pace of gains compared to the exceptional rallies enjoyed recently. The investment landscape for the coming year will likely be shaped by fiscal and monetary policy decisions, the evolution of artificial intelligence and the dynamics of a K-shaped economy as well as the ever-present potential for exogenous shocks.

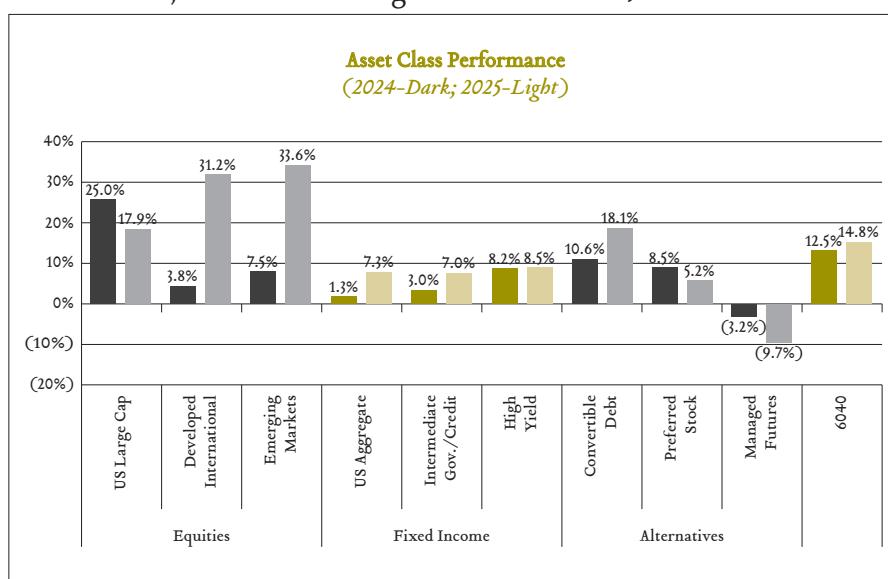
Market Strength

In 2025, global equities posted another year of solid performance. Domestic large caps gained 17.9%, while developed international and emerging market stocks rose 31.2% and 33.6%, respectively. In the fixed income arena, bond returns ranged from 7.0% to 8.5% as the Federal



Nicholas A. Jubile, CFA®
Chief Investment Officer

"In what was at times a volatile year, disciplined investors were rewarded."



Economic Review – 2025 Year in Review and 2026 Outlook: Resilience Rewarded, continued

Reserve implemented rate cuts. Even a balanced portfolio comprised of 60% global equities and 40% bonds generated a return of approximately 15.0%, building substantially on the wealth created in 2023 and 2024.

Measuring Up 2025

Entering 2025, market participants expected strong corporate earnings coupled with continued labor market strength and cooling inflation. Investors were hopeful but guarded, debating whether the Fed could lower rates without reigniting inflation. Now looking back at 2025, expectations were on the nose in some areas (e.g. S&P 500 Earnings) but missed the mark in others – most pronounced being the cooling of the labor market and corresponding rate cuts. While the path to getting here was not always smooth, 2025 will be looked upon as a strong year for capital markets and the broader economy.

	Real Growth	Inflation	Job Gains	Fed Funds	S&P 500 Earnings
2025 Expectations (As of 12/31/24)	2.10%	2.50%	121k/mo	4.25%	\$272/sh
2025 Outcomes (As of 12/31/25)	2.00%	2.80%	62k/mo	3.75%	\$272/sh
Change	-0.10%	+0.30%	-59k/mo	-0.50%	\$0/sh

“While the path getting here was not always smooth, 2025 will be looked upon as a strong year for capital markets and the broader economy.”

Reasonable Expectations for 2026

To the extent 2025 outcomes were palatable, expectations for 2026 call for a very similar experience. Forecasts call for a normalization of growth rather than a contraction with GDP growth of approximately 2.0% for the year ahead. While valuations are elevated after three strong years, earnings growth is expected to remain healthy, providing fundamental support for stock prices. Additional interest rate cuts are expected, and a stabilization of the labor market resulting in a relatively steady unemployment rate of around 4.4%. We view these expectations as reasonable, however policy missteps or a reemergence of inflation pose a downside risk.

	Real Growth	Inflation	Job Gains	Fed Funds	S&P 500 Earnings
	Similar to 2025	Similar to 2025	Similar to 2025	2 Additional Cuts in 2026	Strong Growth Expected
2025	2.00%	2.80%	62k/mo	3.75%	\$272/sh
2026 Expectations	2.00%	2.90%	72k/mo	3.25%	\$308/sh
Change	0.00%	+0.10%	+10k/mo	-0.50%	+36/sh (13%)

Of course, the year ahead will be defined by the shift from *proposed* policy to *implemented* policy under the Trump administration. With the first round of tariffs now active, we are seeing early signs of price pressures in specific goods sectors, which has kept inflation estimates for 2026 in the 2.9% range. Conversely, the administration's deregulation efforts, particularly in energy and finance, may provide tailwinds for business investment and offset some of the drag from trade friction.

Ongoing investment and potential earnings realization from AI will play a crucial role in determining the direction of equity markets.

It isn't practical to account for every known and unknown driver of the economy over the next twelve months. We believe base-case expectations consistent with a continued expansion are reasonable. Rather than relying on precision forecasts, we continue to focus on scenario planning and portfolio resilience.

Looking Forward – Capital Market Assumptions

While short-term market movements are often noisy, the long-term compounding potential of capital markets remains attractive. We have updated our ten-year capital market assumptions below, representing the midpoint of our annualized return expectations for each asset class. U.S. Large Cap Equities are expected to return 6.5% per year whereas fixed income markets are likely to return somewhere in the ballpark of 4.0%. A broadly diversified portfolio of 60% stocks and 40% bonds is estimated to generate an annualized return of about 6.0% over the next ten years.

Asset Class	Historical Returns Public (1994–2025)	10 Year Expected Return (Dec 2025)	10 Year Expected Risk (Annualized vol.)
US Large Cap	10.81%	6.50%	17.00%
US Mid Cap	11.04%	8.00%	19.00%
US Small Cap	9.98%	8.25%	21.00%
Developed International Equities	6.64%	7.00%	18.00%
Emerging International Equities	5.57%	7.75%	22.00%
Core Fixed Income	4.18%	4.00%	5.50%
Non-Core Fixed Income	7.13%	5.50%	11.00%
Diversified Alternatives	7.25%	6.00%	8.00%
Cash	2.52%	3.50%	0.50%
Inflation	2.54%	2.50%	1.50%
60/40 Portfolio		5.65%	11.00%

“Ongoing investment and potential earnings realization from AI will play a crucial role in determining the direction of equity markets.”

*Economic Review - 2025 Year in Review
and 2026 Outlook: Resilience Rewarded,
continued*

Over the next decade, actual returns will inevitably vary from these averages – some years will surprise to the upside, others to the downside. We believe short-term market-timing strategies are unlikely to improve long-term outcomes.

Despite an ever-evolving investment landscape, our commitment to a disciplined, long-term philosophy is steadfast. We strive to build robust investment solutions designed to help you achieve your specific financial objectives, always with your best interests at the forefront. From all of us on the investment research team, Happy New Year and thank you for the privilege of managing your wealth. ☑



*Regina Jaeger, CFP®, CTFA
Vice President
Northern Michigan Market Team
Lead and Senior Trust Relationship
Officer*

**“...a well-crafted,
flexible trust
empowers trustees
to respond to new
information...”**

Built to Bend: Modern Flexible Trust Design

In an era of rapid financial, legal and family-dynamic changes, one of the most valuable features of any trust is *flexibility*. While trusts are often created to provide structure, security and long-term direction, the most successful plans intentionally balance that structure with the ability to adapt. Building flexibility into a trust document not only supports efficient administration but also strengthens the trust's ability to carry out the grantor's wishes across generations.

1. A Changing Landscape Requires Adaptive Planning

Families today are more complex, mobile and diverse than ever before. Heirs may live in different states or countries, face unique financial or personal challenges or experience life events that could not have been anticipated at the time the trust was drafted. Tax laws, investment markets and regulatory environments continue to evolve as well, often with significant impact on trust planning.

A rigid trust document can unintentionally lock beneficiaries and trustees into outdated strategies that no longer match current realities. By contrast, a well-crafted, flexible trust empowers trustees to respond to new information, adjust to changing conditions and make decisions that preserve both the trust assets and the grantor's overarching goals.

2. Trustee Discretion Enhances Administrative Efficiency

Trustee discretion is one of the most practical forms of built-in flexibility. Grantors who grant trustees broad—but clearly

articulated—discretion enable them to administer the trust efficiently and proactively.

Discretion can include the authority to:

- Adjust or reallocate investments based on market conditions
- Determine timing and amounts of distributions
- Provide for beneficiaries in response to unforeseen needs
- Manage assets in ways that support long-term sustainability

This discretion allows trustees to act without constantly seeking court approval or relying on inflexible formulas, reducing administrative delays and costs. Clear guidance within the trust document is equally important, as it helps the trustee apply discretion in ways that remain consistent with the grantor's intent.

3. Powers of Appointment Create Long-Term Adaptability

Including a power of appointment, especially a *limited* or *special* power, allows certain beneficiaries to redirect trust assets within a defined group (for example, among descendants). This feature helps a trust remain relevant as family structures evolve.

For example, a beneficiary may choose to direct assets to grandchildren who have greater need, or away from heirs who have become financially independent. Powers of appointment can also help avoid unintended disinheritance as family branches grow or change, ensuring that the trust aligns with the family's long-term realities.

“A rigid trust document can unintentionally lock beneficiaries and trustees into outdated strategies that no longer match current realities.”

4. Trust Protectors and Advisors Add Oversight and Flexibility

A growing number of modern trust documents include roles such as *trust protectors* or *trust advisors*. These individuals or committees are granted specific powers—such as replacing a trustee, amending administrative provisions, or approving certain transactions—to ensure that the trust remains functional even in changing circumstances.

This added layer of oversight allows for course-correction without compromising the integrity of the trust. While not every trust requires a protector, their presence can be especially valuable in long-duration or multi-generational trusts.

5. Decanting and Modification Provisions Provide a Safety Valve

Many states (Michigan included) now allow *trust decanting*, which lets a trustee “pour” assets from an old trust into a new one with updated provisions. In states where decanting is permitted, including language that explicitly permits decanting can serve as an effective safety valve if the original trust terms become impractical or outdated.

Similarly, including provisions that allow amendments to

Built to Bend: Modern Flexible Trust Design, continued

administrative—not dispositive—terms can help ensure the trust remains workable if laws change or better administrative practices emerge.

Conclusion: Flexibility Protects Intent and Promotes Efficiency

While no trust can anticipate every future development, building flexibility into the document helps ensure that the trust remains capable, efficient and aligned with the grantor's values for decades to come. By empowering trustees, incorporating adaptive mechanisms and preparing for the unexpected, clients can strengthen their wealth-transfer strategy and enhance the long-term benefits to their heirs. ☐



Dan J. Rinzema, CFA®, CFP®, CTFA President

Survey Says...

Continuous improvement is one of Greenleaf Trust's core values – it is a pillar of our culture and has become part of our DNA. Every tangible improvement we have made on behalf of our clients stems from a disciplined review of our practices. As we look for opportunities to serve our clients better, we begin by listening to those that matter most – our clients.

Our annual personal trust and wealth management client satisfaction survey is designed to gauge Greenleaf Trust's collective efforts from our clients' perspective. We not only want to know if we are delivering on our promises, but we also crave candid feedback on ways in which we can better serve our clients. Analyzing the results helps us more closely align the voice of our client with our daily impact and better understand how our clients feel about Greenleaf Trust's personalized service and customized solutions. The aim is to listen to client comments and suggestions so that we can enhance the services provided on their behalf. Simply put: when our clients speak, we listen.

As an example, looking back at recent years' survey results, it was revealed that the format of our investment performance reporting could be improved to better meet the individual needs of our clients as only 84% of respondents found the report meaningful. Given this feedback, we made it our goal to provide more customized, relevant and meaningful performance reporting. We heard what our clients wanted and responded with updated performance reports tailored to their specific needs. As a result, satisfaction with our quarterly investment performance report format jumped to 97% the following year and sits at 99.4% as of 2025's survey. Similarly, it was revealed that many clients wanted consolidation of monthly statement packaging several years ago. We listened and

“...we also crave candid feedback on ways in which we can better serve our clients.”

responded quickly by consolidating statement packaging starting the following January and the corresponding statement satisfaction score registered at 98%. Similarly, themes from write in comments five years ago centered around our investment platform and online client portal. We took these comments to heart and not only enhanced our investment offering with 100% of responding clients now reporting that we are successful in meeting their investment needs, but we also rolled out our revolutionary online portal called MyWealth by Greenleaf Trust, which allows our clients to view their holistic wealth through a safe and secure personal financial website bringing their entire financial picture together in one place like never before. The last few years of surveys revealed a desire for an increased frequency of economic and financial market updates from our in-house research team. We recognized this as a shortcoming and put a plan in place to improve. This included additional investment seminars and the introduction of a weekly "Market Snapshot" intended to provide a weekly recap of market movements as well as provide an overview of events to pay attention to in the week ahead.

When sending the 2025 survey, we again asked for candid responses. Our clients answered in kind with survey participation more than three times the industry average. Thank you to those that took the time to respond - we truly value your feedback. The following is a summary of what we heard you, our clients, say:

2025 Client Satisfaction Survey Results:

Personal Trust & Wealth Management

100% find their Client Centric Team members to be easily accessible

99.7% feel their questions and concerns are answered in a prompt and satisfactory manner

99.7% are satisfied with the frequency of contact

99.7% feel as though they are treated as a very important client

100% believe we listen to and understand their unique goals and objectives

100% believe their accounts are tailored to meet their unique financial goals and objectives

100% believe we are successful in meeting their investment needs

Satisfaction scores with our account statements, performance reports and newsletters uniformly exceeded 99%

“...to enhance the value of our relationship with our clients and to achieve our standing goal of 100% client satisfaction on all fronts, we will intently focus on the specific suggestions and comments received.”

While we are pleased with the generally high marks received, we recognize there is always room for improvement. So, to enhance the value

Survey Says..., continued

“...we hope you will never hesitate to share your candid opinions with us - when you speak, we listen.”

of our relationship with our clients and to achieve our standing goal of 100% client satisfaction on all fronts, we will intently focus on the specific suggestions and comments received. Initiatives are already under way as a result of the recent survey including a plan to offer formal financial literacy education to our clients' children and grandchildren as well as additional enhancements to our MyWealth by Greenleaf Trust online client portal.

Again, thank you to all our clients that took the time to respond to our recent client satisfaction survey. The overall response rate was gratifyingly high and the comments overwhelmingly positive. My colleagues and I are always receptive to your suggestions, and we hope you will never hesitate to share your candid opinions with us - when you speak, we listen. Thank you for allowing Greenleaf Trust the continued privilege of serving on your behalf. ☐



Christina E. Sharp, QKA®
Senior Relationship Manager

“Moving from saving to spending can feel quite different.”

Looking Ahead: Preparing for Retirement and a New Chapter

After 14 wonderful years with Greenleaf Trust, I am excited to share that I will be retiring soon. This decision comes after much reflection and planning, and while I look forward to the next chapter, which includes spending time with family and my new grandson, I also would like to share some insights that may help others prepare for retirement.

Retirement marks a significant life milestone, but it is not just about your financial readiness. It really is a multifaceted transition that involves emotional, lifestyle, and practical considerations. Here are a few key areas to think about:

Financial Security and Market Volatility

Moving from saving to spending can feel quite different. Market fluctuations that once seemed manageable may feel more concerning when you are drawing from your savings. Establishing a clear income strategy and maintaining adequate liquidity can help you feel confident during periods of uncertainty. Creating a flexible budget is essential—one that accounts for both fixed and discretionary expenses. Look for ways to cut unnecessary costs without sacrificing the things that bring you joy. Deciding when to start Social Security benefits is another critical step, as timing can significantly impact your long-term income. Finally, take

inventory of all your assets, including retirement accounts, investments and any other sources of income, so you have a complete picture of your financial foundation.

Healthcare Planning Before and After Medicare

Healthcare is one of the most significant expenses in retirement, especially if you plan to retire before age 65. Research your options early and factor premiums into your retirement budget. Health Savings Accounts (HSAs) can be valuable tools, offering tax advantages and flexibility for qualified medical expenses. Evaluate your current health status and take proactive steps to maintain it. Establishing an exercise routine and committing yourself to healthy habits now and into retirement can help you stay active and reduce future medical costs. Prioritizing your health and exercise will hopefully reduce the risk of illness, allowing you to enjoy many active and healthy years in retirement.

“Retirement is not just a financial change—it is a lifestyle transformation.”

Emotional and Social Readiness

Retirement is not just a financial change—it is a lifestyle transformation. Many retirees struggle with leaving behind a sense of purpose and daily social interaction. Begin planning for how you will stay engaged, whether through hobbies, volunteering or part-time work. Detaching from work mentally can take time, so begin to work with your leader on a succession/progression plan to transition your responsibilities. If possible, reduce your hours to provide a “test run” before fully retiring. Accepting the reality of this transition and building a core support team of family and friends can make the process smoother. Most importantly, be open to discovering a new purpose and identity that aligns with this exciting stage of life.

Defining Your Vision for Retirement

A clear picture of what you want to do in your retirement years can make the transition smoother. Creating a “wish list” of activities—such as traveling, spending time with family or pursuing passions—helps shift your focus from what you are leaving behind to what lies ahead. Experiment with new hobbies and do not be afraid to step outside your comfort zone. Retirement offers the freedom to explore interests you may not have had time for before, so embrace the opportunity to grow and learn.

Start Early and Seek Guidance

Emotional readiness often takes longer than financial readiness, so start planning early. Begin conversations with your financial advisor years

Looking Ahead: Preparing for Retirement and a New Chapter, continued

before your planned retirement date. Work to develop a written plan that addresses both practical and emotional aspects of your future. Talking to family and friends who have already retired can provide valuable perspective and reassurance. The more proactive you are, the more confident and prepared you will feel when the time comes. And remember that retirement is a journey that will evolve and change. To thrive, you will need to adapt and be flexible.

While I am excited for the next chapter, I know I will deeply miss the camaraderie, collaboration and friendships I have built with my teammates and clients over the years. Thank you for allowing me to be part of your journey; I wish you continued success and fulfillment in yours. ☐



*George F. Bearup, J.D.
Senior Legal Trust Advisor*

“...the shift in focus of many estate plans will now be to saving income and capital gains taxes for the owners and for their heirs.”

Step Up to Basis Planning

With the One Big Beautiful Bill Act now the law, the focus of most Americans will shift from planning to avoid estate taxes to positioning assets for an income tax basis adjustment at the owner's death. The Act gives every American a \$15 million exemption from gift, or estate, and generation skipping transfer tax. Since most Americans have estates less than \$15 million federal transfer taxes will not be much of a worry. Accordingly, the shift in focus of many estate plans will now be to saving income and capital gains taxes for the owners and for their heirs.

If an asset is given away during lifetime, the gifted asset's income tax basis is 'carried over' to the recipient. If the recipient then sells the asset, he or she will incur a capital gain. That is not the same if the asset is inherited after its owner's death. As a generalization the Tax Code adjusts an asset's income tax basis on its owner's death to its date-of-death fair market value. [IRC 1014(a).] This is often referred to as an income tax basis *step-up* since many assets held by the decedent have appreciated in value since the asset was originally acquired.

Consequently, while past estate planning advice was to give away appreciating assets so that appreciation will not be subject to federal estate taxes on the owner's death, now that advice might shift to hold onto the appreciating asset until its owner's death, so that the individuals who inherit the decedent's property will have a new, higher, income tax basis equal to the asset's fair market value. If those individuals decide to sell the inherited asset, they will not pay much, if any, capital gain tax due to the *step-up* in basis on the decedent's death.

Many of the wealth shifting strategies that were used in the past in estate plans, like qualified personal residence trusts (QPRTs), or grantor retained annuity trusts (GRATs), or spousal lifetime access trusts (SLATs) may no longer be as attractive as they once were, since with those strategies, the asset was removed from the trust creator's estate, but with a *carryover* income tax basis, which meant that the assets never receive a basis adjustment at the time of the trust creator's death. Similarly, other sophisticated estate planning strategies used in the past, like the gift of a limited family liability company (LLC) units to children or trusts for children might no longer be attractive, since those entities were used to intentionally 'create' valuation discounts for lack of control and lack of marketability of the units that were both gifted and retained by the parent. Now, 'creating' a valuation discount may no longer be a smart move if the goal is to gain a full fair market value income tax basis adjustment of assets that are retained by the parent until his or her death.

This income tax basis *step-up* basis can be exploited with some creative planning strategies, one of which was covered in a previous *Perspectives* article.

Free-Basing with Grandma

A previous article written years ago focused on '*free-basing with grandma*' (a tongue-in-cheek title). With this strategy, a parent creates a trust for his or her children. In that trust the parent gives his or her parent, i.e., their children's grandparent (*grandma*), a testamentary general power of appointment to appoint trust assets on the grandparent's death to pay the creditors of the grandparent's estate (if any). The grandparent does not even have to know that they possess this power of appointment for it to be effective; the mere fact that the grandma holds the power is sufficient to cause the value of the trust assets subject to the power to be adjusted to their fair market value on grandma's death. This power results in a 'free' basis adjustment simply by grandma holding the power to use trust assets to pay any creditors when she dies, whether the power is exercised or not! The mere presence of the power enables the trustee to sell trust assets after the grandparent's death without incurring any capital gain. When assets are later distributed from the trust to the trust creator's children, the distributed assets will come to them with a much higher income tax basis.

More to the point, this power of appointment given to grandma can be written as a formula to limit the presence of the power of appointment that might otherwise cause grandma's estate to pay federal estate taxes. Alternatively, grandma's testamentary general power of appointment could be limited to only those trust assets with the lowest income tax basis, so that the basis *step-up* caused by the mere presence of grandma's power

“...this power of appointment given to grandma can be written as a formula to limit the presence of the power of appointment that might otherwise cause grandma's estate to pay federal estate taxes.”

Step Up to Basis Planning, continued

would have the most impact. Or the formula of the power could apply only to those trust assets that would benefit from a basis *step-up*, but not to trust assets that would have their income tax basis reduced to fair market value when grandma dies.

Trust Director Power to Grant:

With this ability to increase a trust asset's income tax basis simply by someone merely holding a testamentary general power of appointment over trust assets, some trusts might be drafted in a way where a trust director (formerly called a trust protector) is given the authority to amend the irrevocable trust to give to an elderly person, or a terminally ill trust beneficiary, a testamentary general power of appointment to pay creditors of the powerholder's estate using trust assets, the presence of which will cause trust assets to have their income tax basis adjusted.

“Think of this as ‘stacking’ on trust on top of an existing trust, which delays the distribution of trust assets for an extended period.”

Springing the ‘Trap:’

Yet another way to cause trust assets to have their income tax basis adjusted is what is technically called by intentionally ‘*springing the Delaware Tax Trap*.’ The best way to explain this strategy under the Tax Code is that a trust beneficiary of a trust holds a limited power of appointment over trust assets. A limited power of appointment will not cause the value of trust assets to be included in the beneficiary's taxable estate, so it does not cause a basis adjustment on the powerholder's death. A limited power of appointment restricts the people to whom, or for whom, the power of appointment can be exercised, e.g., ‘*the beneficiary may exercise this power of appointment to or for the use of the beneficiary's descendants*.’ However, if the trust beneficiary who holds this limited power of appointment exercises the limited power of appointment by appointing the trust assets into another trust, and that trust extends the period during which the trust assets are tied-up inside a trust longer than the state's rule against perpetuities, then the value of the trust assets will nonetheless be included in the powerholder's estate, which again causes the income tax basis of trust assets to adjust to their fair market value on the powerholder's death. Think of this as ‘stacking’ one trust on top of an existing trust, which delays the distribution of trust assets for an extended period. Under the Tax Code this is called *springing the Delaware Tax Trap*, (why Delaware is a long story that will be skipped) to intentionally cause assets to have their income tax basis adjusted upward on the powerholder's death. Unlike the *free-basing* strategy, with this ‘springing the trap’ strategy, the limited power of appointment must be exercised in a manner that keeps the trust assets tied up in trust for a much longer period of time, but has the effect of causing the value of trust

assets to be included in the powerholder's estate. Again, too, this power could be exercised using a formula to limit the powerholder's estate to the exposure to pay a federal estate tax.

The world of estate planning changed for many with the Act, shifting the tax-savings focus to avoiding capital gains taxes. Parents and grandparents need to think twice before they make lifetime gifts, since the low tax basis of the gift asset passes to the recipient of the gift. Other lifetime wealth shifting strategies like QPRTs and GRATs may lose their luster when the low basis carried over to the trust beneficiaries is considered. And trust, while still important for creditor and predator protection purposes are still effective, it might be wise to use some testamentary powers of appointment with the trust to cause trust assets to benefit from a basis adjustment on the powerholder's death. □

Stock Market Pulse

Index	12/31/2025	Total Return Since 12/31/2024	P/E Multiples	12/31/2025
S&P 1500	1,531.18	17.00%	S&P 1500	26.7x
Dow Jones Industrials	48,063.29	14.92%	Dow Jones Industrials	24.9x
NASDAQ	23,241.99	21.17%	NASDAQ	36.5x
S&P 500	6,845.50	17.86%	S&P 500	27.3x
S&P 400	3,305.14	7.48%	S&P 400	20.6x
S&P 600	1,467.76	5.99%	S&P 600	21.3x
NYSE Composite	22,003.93	17.84%		
Dow Jones Utilities	1,068.07	11.98%		
Barclays Aggregate Bond	2,348.85	7.30%		

Key Rates

Fed Funds Rate	3.75% to 4.00%
T Bill 90 Days	3.55%
T Bond 30 Yr	4.84%
Prime Rate	6.75%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	11,531.18	26.7x	1.17%
S&P 500	6,845.50	27.3x	1.14%
Dow Jones Industrials	48,063.29	24.9x	1.58%
Dow Jones Utilities	1,068.07	18.5x	3.29%

Spread Between 30 Year Government Yields and Market Dividend Yields: 3.67%



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